

2003 Third Quarter Progress Report

GBTI Task Order No. 845

July 1 – September 30, 2003



*Privatization Implementation Project
With the Government of Egypt*

Implemented by IBM Business Consulting Services
Funded by USAID

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INTRODUCTION

The purpose of this document is to report activities and progress towards achieving benchmarks as required by Section 1.4 of GBTI Task Order 845. The Privatization Implementation Project (PIP) for the Government of Egypt is a follow-on activity to the Privatization Implementation Project that began July 1, 2000 and terminated September 30, 2002, which was also implemented by IBM. The current PIP began on October 1, 2002 and continues through April 30, 2004 as extended by option exercised effective April 1, 2003.

The following provides details on the activities by tasks to include past and future actions and a summary of activities by task; the progress toward reaching the benchmarks and the goals for the next quarter; a list of the deliverables during the quarter; and a list of team members and tasks assigned.

TASKS

Below is a summary of the activities performed under each of the four tasks in the Task Order Statement of Work: (1) transaction support; (2) general policy and advisory assistance; (3) public awareness, political advocacy, and constituency support; and (4) monitoring and reporting on public enterprises and privatization. These activities represent a summary of the project's efforts during the third quarter of 2003 towards successfully achieving the benchmarks required by 30 September 2003 as established in the Task Order.

Tasks One and Two: Transaction Support and General Policy and Advisory Support.

PIP provides advice to support the Government of Egypt's (GOE) privatization program in the areas of both transactions and general policy. The transactions support is related to marketing the government's privatization program generally, as well as support for individual transactions. (As described in PIP's task order, work related to individual transactions must in each case be approved by USAID and the Public Enterprise Office Executive Director.) General policy advice is intended to strengthen the decision-making process and to promote market-based valuation and privatization criteria, and is being led by a long-term US expatriate specialist in privatization policy. The activities of Task One and Task Two are closely associated and often overlap; consequently, these activities are described together in this report.

Highlights –Ten additional transactions supported by PIP, Egyptian Starch and Glucose tendered.

Specific Transaction Support. During the third quarter PIP provided specific transaction support related to privatizing twenty-one companies. Ten companies were added to the approved list during the quarter.

In addition to the eight companies selected for Privatization-by-Capitalization, PIP has been providing the primary assistance to owners (including holding companies) to progress the sale of thirteen other companies. Status of work relating to each, including the eight companies selected for Privatization-by-Capitalization, are shown in the matrix below.

Figure 1: Status of companies approved for specific transaction assistance

Ref	Company Name	Activity from	Activity to	Months with activity	Status
1	Cairo Far East Bank	Oct-00	Sep-03	36	Banque du Caire is pursuing sale of this bank, and has had discussions with five banks recently, of which two indicated no interest. The other three discussions are continuing.
2	Alexandria Refractories	Jul-02	Sep-03	15	The HC for Metallurgical Industries requested a valuation and information memo for the company. During the quarter, PIP completed a draft valuation report and is updating a company profile. Since then, a technical problem relating to furnaces has been introduced and will reduce the valuation. The HC is reviewing the effect and will recommend an adjustment relating to this issue. Immediate sale is thus problematic.
3	Misir Iran Spinning & Weaving ("Miratex")	Jan-02	Sep-03	21	PIP prepared a fact sheet, diagnostic report, company profile, info memo, valuation report, and part of the data room. Both the Egyptian and Iranian shareholders had been willing to sell their shares. However, the PEO indicates there is an overriding political issue relating to the Iranian partners, which is impeding and delaying sale.
4	NEEASAE	Jan-03	Sep-03	9	Investment promoter retained and info memo completed. One Egyptian and one Chinese investor interested.
5	NARUBIN	Jan-03	Sep-03	9	Investment promoter retained. Info memo prepared and submitted to HC for approval. Six investors (foreign and Egyptian) interested.
6	Car Engineering	Jan-03	Sep-03	9	Investment promoter retained, info memo completed, several investors are interested including ones from India, Korea and Japan.
7	Kom Hamada	Jan-03	Sep-03	9	Profile completed, investment promoter retained. One investor has negotiated with HC, but the parties haven't been able to agree on a ballpark price.
8	El Mahmodeya	Jan-03	Sep-03	9	Investment promoter retained. Info memo prepared and submitted to the HC for approval. Four investors interested but waiting to see how the Kom Hamada negotiation progresses.
9	EDFINA	Jan-03	Sep-03	9	Investment promoter retained and info memo prepared.
10	SEMAF	Jan-03	Sep-03	9	Investment promoter retained and info memo prepared. Four offshore strategic investors interested.
11	Dyestuffs	Jan-03	Sep-03	9	Profile complete and investment promoter retained. No info memo yet prepared; this effort is doubtful.
12	Egyptian Starch & Glucose	Aug-03	Sep-03	1	Tendered during the third quarter. Information memo completed. Bid date extended to Dec 1. Four interested investors.. PIP has contacted fifty foreign and Egyptian companies by fax and email to promote this sale.
13	Ferro Alloys	Aug-03	Sep-03	1	Information Memorandum nearly completed
14	RAKTA	Aug-03	Sep-03	1	Postponed due to an environmental issue identified by PIP
15	Paints & Chemicals Ind PACHIN	Aug-03	Sep-03	1	Fact Sheet, profile completed, obtaining 2003 numbers for info memo; marketed in Gulf
16	Transport & Engineering (TRENKO)	Aug-03	Sep-03	1	Assisting in valuation update; preparing info memo, but large losses incurred for 2003. Proceeding with revised valuation.
17	UNIRAB	Aug-03	Sep-03	1	Company profile and information memorandum completed and sent to HC for review
18	Suez Steel	Aug-03	Sep-03	1	Valuation being reviewed by the CAA. The private sector shareholder expressed interest in buying the public share

Ref	Company Name	Activity from	Activity to	Months with activity	Status
					shareholder expressed interest in buying the public share.
19	ARACEMCO	Aug-03	Sep-03	1	Information memorandum prepared and being reviewed by HC and the PEO
20	National Paper	Aug-03	Sep-03	1	Postponed due to a technical problem (obsolete equipment) identified by PIP
21	El Nasr Casting	Sep-03	Sep-03		Assisting with valuation. Meeting with potential investors.

Marketing. Marketing initiatives previously arranged during the first quarter to take place during the second quarter were initially postponed due to the events leading up to and including the war in Iraq. As the outcome of the war in Iraq was resolved during the early second quarter of 2003, privatization program marketing recommenced and a marketing trip to the Gulf was prepared. Separate promotion efforts were undertaken for Egyptian Starch and Glucose with over fifty identified potential investors contacted by PIP. The date for bids was extended to December 1.

Highlights –
promotion of Egyptian Starch and Glucose begun with 50 potential investors

Privatization Program Promotional Support

PIP provided general promotional support by preparing one page Kompas-formatted fact sheets which can be promoted through the Kompas system. These fact sheets will also be available through the PIP website linked to the PEO website. The following companies were identified for general promotion.

Highlights – PIP supporting general promotion for 12 companies and place on MPE website

- Egyptian Starch and Glucose
- EDFINA
- Tanta Oil and Soap
- Nile Oil and Detergents
- Egyptian Salt and Soda
- Paints and Chemicals
- Egyptian Ferroalloys
- Transport and Engineering Co.
- NEEASAE
- Engineering Automotive
- Aracemco
- Dakahleya Sugar
- Polvara Spinning and Weaving
- Alexandria Refractories
- Abu Qir Fertilizers

PIP has been working with the PEO to prioritize these and other privatization candidates according to probability of being successfully privatized. During the fourth quarter PIP will work with the PEO to finalize the priorities.

Furthermore, PIP has begun working with the PEO to update and maintain its website, which is probably the most cost-effective means for promoting Egypt's privatization program.

Investor Conferences. During the third quarter PIP prepared and developed a marketing trip in association with the Egyptian Businessmen's Association to Abu Dhabi, Dubai and Bahrain planned for the early fourth quarter. As requested by the Egyptian Ambassador to UAE, who agreed to assist in promoting the privatization program in the UAE, PIP identified and recommended to the Ministry of Public Enterprise a number of attractive companies to be promoted. Fourteen companies were chosen for presentation, of which all but one had good profit history. As of this writing, the Gulf marketing trip has been completed and will be covered in the fourth quarter report.

Highlights – Gulf investor outreach trip with PEO and EGOH organized with Egyptian Business men's Assn and UAE Embassy
Preparations for EgyptInvest Conference begun

PIP also assisted in the preparation for the EgyptInvest conference being produced by International Event Partners, which will be held in early December. The Public Enterprise Office will have a booth at the conference provided free of charge as compensation for the support that PIP has provided the producers. PIP will also be provided with a list of participants prior to the commencement of the conference so marketing can be prepared prior to the conference.

Pricing Policy and Valuation. Earlier, the Cabinet approved a pricing formula based on adjusted book value ("formula") for issuing new shares under the Privatization-by-Capitalization program. For the first time in the privatization program, prices would be set (using the formula) and during this quarter the PEO indicated that the formula would be publicized. Although announcing a *formula* for pricing in this way isn't equivalent to announcing a reserve price, it is a step in the right direction.

Highlights Valuation course conducted for Housing, Tourism and Cinema Holding Company

The public announcement of a reserve price is an improvement that PIP has long recommended to the PEO and has worked to implement across the board. The PEO indicated that it supports this improvement; however, the Ministerial Privatization Committee has not implemented such a policy. During September 2003 the Minister of Information announced the tendering of Egyptian Starch and Glucose along with the government's reserve price. It would be a step forward if the public announcement of reserve price in this case is perceived as beneficial to the process and thus as a basis for the government to alter its policy for future tenders.

PIP has had numerous discussions with the Public Enterprise Office on the subject of pricing and valuation, and has advised that valuation, if not realistic, is a barrier to privatization. In the cases of many weak companies (such as many of those selected for Privatization-by-Capitalization) this often leads to a prolongation -- and a worsening -- of

direct and indirect costly subsidies. Consequently, valuation is a continuing focus of privatization policy efforts, with the effort turning increasingly to application of earlier stated principles to specific cases.

The valuation and pricing emphasis in the Quarter was on companies controlled by the Housing, Tourism and Cinema Company (HTC). Fifteen hours of valuation training was presented to eight HTC officials. The training emphasized that reserve prices should reflect the value of the enterprise *to the HTC as seller*.

It is worth restating that accounting book value, or some adjustment thereof, should not be confused with economic value. Accounting focuses on the past, while investors (including sellers) normally focus on the future. It should not be surprising that a company that is losing money and that requires substantial new investment to turn around will normally have a value to a prospective investor as well as the seller that is well below book value. Historically based accounting data does not reflect, for example, major new investment that will be required in the near future; the amount of such required investment appears on no balance sheet, yet it is very real to the investor. Likewise, some important future liabilities which directly affect cash flow are not normally recognized in a book value or asset value calculation – such as future employment termination or pension liabilities, as well as potential severance obligations.

Value is not the same as price and if a buyer and a seller are to agree on a price it is obvious that they must “disagree” on value. The range for potential agreement on price can be quite large, and the seller must rely on generating competition among buyers if he wants to achieve a price in the higher end of that range. A competitive tender process is therefore the appropriate vehicle for price determination. Prices should not be set on the basis of accounting data alone.

Cost of Not Privatizing Study. Specifically, the costs to the GOE of not privatizing and the economic value of a firm to a seller (as a starting point for reserve pricing) were emphasized with the PEO and Holding Companies and joint venture owners. During the quarter, work was initiated on a major study to estimate the costs of not privatizing at the macroeconomic as well as at the micro level. By the end of the quarter most of the micro part of the work had been completed and work on the macro implications had begun. In addition to PIP permanent personnel, two expatriate and one Egyptian professional economists have been retained to assist.

Highlights – Cost of Not Privatizing Study commenced with micro-analysis completed for Law 203 companies

Pricing Flexibility Related to Privatization-by-Capitalization. The PEO is well aware that its pricing formula for new shares, based on balance sheet items, will not equate to a market price, being naturally either above market or below market. Thus, the PEO has publicly indicated that it is prepared to utilize all available flexibility relating to negotiating price and other provisions. For example, the PEO has concluded that for two of the eight selected companies, the formula-determined price is likely to be far lower than the market price and is therefore using DCF to set the reserve price for SEMAF and Edfina for Preserved Foods. Additionally, two particular areas have been identified by several potential investors as requiring flexibility by the sellers: company obligations going forward relating to (1) the amount of labour to be retained and (2) the amount of bank debt. This would appear to indicate that prices resulting from the pricing formula are too high in some cases, which isn't unexpected.

Furthermore, it appears that in at least several cases, investors would prefer to purchase a combination of existing and new shares or even all existing shares. The approved pricing formula applies only to new shares, and it is undetermined at this point how the government will price existing shares, other than by the time consuming and inherently off-market methodology currently employed. On the other hand, there appears to be an expectation that the Cabinet could approve reserve prices for existing shares, which may resolve this issue.

Although good progress is being made relating to two of the firms being offered for privatization by capitalization (Engineering Automotive and SEMAF), the remaining six are progressing more slowly and one (Dyestuffs) appears to be very problematic – at least on the basis offered. Serious investor interest has been expressed for Kom Hamada and Mahmoudaya, but it appears that the investors have been discouraged by pricing demands of the Textile Holding Company. A potential internal issue that may slow down the privatization of these companies is that some investors may desire to buy all existing shares (as contrasted with only buying new shares, as envisioned by the privatization-by-capitalization concept.) So far, the owners of these concerns have not developed reserve prices for existing shares, as currently required. On the other hand, and as noted previously, PIP has encouraged the PEO to rely on the competitive bid process rather than on accounting-based formulas to determine sale prices. Reserve prices must be based on the value of the firm to the government rather than on some theoretical attempt to predict the “appropriate” market price; there may well be a broad range of appropriate prices between the seller’s valuation and the buyer’s valuation.

Total Bid Package Concept. Related to the Privatization-by-Capitalization concept, it is also significant that the Ministerial Committee recognizes that in many cases new investment in an affiliate is far more important than the price the holding company receives for its shares. This will be true for most low profitability or money-losing affiliate companies. PIP has developed and recommended a selection process that takes in to account committed new investment.

New Pricing Formula for JVs Approved by Ministerial Privatization Committee. A major policy change relating to these joint venture interests occurred during the first quarter 2003, which has been carried in to the third quarter, providing further evidence that the GOE recognizes that the process for establishing realistic reserve prices needs to be improved. Rather than follow time-consuming procedures for discounted cash flow valuations that must be reviewed by the Central Audit Agency (and which are inherently out of date by the time they become effective), the Ministerial Privatization Committee approved establishing reserve prices based on estimating “suitable” market-based price/earnings multiples. The technique will be developed by the MPE and re-submitted to the Committee for approval and implementation. PIP is working with the PEO to develop this technique, the usefulness of which will be determined by the degree to which it leads to a *minimum* reasonable current market price. In order to develop a selling price as approved by the Ministerial Committee for traded companies, the new formula averages the last five years price/earnings multiples and adjusts the result in cases where shares sold enable an investor to attain control. We are told by the PEO that the adjustment will be determined by the MPE. This would be a major milestone in delegating pricing responsibility to the MPE.

Highlights – Market-based reserve pricing formula approved for thirty-two joint venture interests.

The pricing formula has not yet been employed in practice. However, such formulas inevitably set prices at either above or below market, rather than on market, and are inherently a poor proxy for current market price. By employing the formula as a reserve price, the government may overprice, since when current market price is below the reserve price (i.e. current market is below historic market), the government is unlikely to sell. Witness the application of the formula for Law 203 Privatization-by-Capitalization companies; when the formula resulted in a price clearly below expected market (in the cases of SEMAF and Edfina), the formula was withdrawn. As noted earlier, the government continues to equate reserve prices with a prediction with what the selling price “should” be. Instead reserve prices should be the minimum price that leaves the government in a better position than it would be in the absence of a sale, which is the value of the enterprise to the seller,

Another issue impeding sale has been when offers come in substantially below book or par values. It is unclear how the owners will respond to reserve prices dictated by the JV formula when the formula price results in a price substantially below book or par value, which appears likely, for example for, Polvara (formerly UNIRAB).

While in some cases, because of the recent significant devaluations of the Egyptian pound and other factors, companies are achieving better operating results, high interest costs, large amounts of outstanding debt and the labor overhang, will not be resolved by enhanced operating performance. Such enterprises are caught in a downward spiral with mounting cash obligations and no means to modernize the business. In these cases some degree of financial restructuring is mandatory.

While considerable progress has been made toward setting an effective pricing policy to bring buyers and sellers together, there is still a long way to go. In the privatization process, the political leadership continues to be reticent to resolve serious issues and to rely on market forces to set prices. For example, in the tourism sector, there have been a number of tenders for profitable assets and many offers, but no closed transactions. Related to pricing, a case in point is Misr Hotels (a large and eminently saleable asset), which has been on open tender for approximately two years and has received offers, but for some unexplained reason has not been privatized. Likewise substantial efforts have been made to promote and sell fertilizer companies, only to be nixed after the fact by social policy concerns about pricing domestic sales of fertilizers.

Since its commencement, PIP has prepared or helped prepare 20 valuations, which have resulted in only one sale transaction.

Current Companies Tendered for Sale

The following Law 203 companies and assets were tendered for sale (or were on continuing open tender) during the third quarter 2003.

Law 203 companies and assets	Bid Opening/Open
El Mansoura Resins and Chemical Industries	August 12, 2003 Under negotiation
Misr Hotels	Unlikely to be privatized
Egyptian Starch and Glucose	Extended to December 1, 2003
Dar May for Publishing	Chosen investor failed to meet conditions for sale

Egyptian American for Sanitary Tools (Ideal Standard)	Sale approved for 20.01 % interest.
Tanta Flax and Oil	August 5, 2003 Two offers received are said to be substantially below reserve price, PEO believes a deal will be done.
15 Touristic Assets owned by EGOTH *	Open Process
Ornamental glass and tableware factory, Yassin – El Nasr Glass and Crystal	June 23, 2003 ** One bid above reserve price approved
Medical Ampoules factory, Mostorod – El Nasr Glass and Crystal	July 21, 2003 Negotiating
Glass Bottles Factory – El Nasr Glass and Crystal	August 11, 2003 Under negotiation

1 The 15 tourism assets owned by EGOTH are:

HOTELS	1.	Helnan Shepherd ¹
	2.	Amoun Island Hotel
	3.	Kalabsha
	4.	Mercure Luxor
	5.	EGOTH Oberoi El Arish
	6.	Helnan Dahab
Floating Hotels	7.	Tut
	8.	Anni
	9.	Atob
	10.	Hotob
Lands	11.	Beau-Lac Land (Thomas Cook) – Cairo
	12.	Magawish Land – Hurghada
	13.	Sultana Malak Land – Luxor
Projects Under Development	14.	El Gezira Elephanten Hotel and Aswan Oberoi Hotel Projects

	15.	Sidi Abdel Rahman Project and Alamin Hotel
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¹ The opening of bids for Helnan Shepherd Hotel affiliated with EGOH was on June 15, 2003. The company gave the bidders one-week extension to increase their values as offers received were below reserve price. By June 22nd, offers were re-submitted, and apparently were judged as too low.

Thirty-two Joint Venture Interests Selected for Sale. During the second quarter, the Ministerial Privatization Committee designated 32 Law 159 joint venture companies for privatization by employing a new valuation formula, as noted previously in this report. Law 203 Holding Companies (HCs) have interests in each of these joint ventures, under which new procedures designed to streamline the tendering process, enables the HC in question to price and sell all the government shares, even those owned by other government entities. However, some entities, like banks, with interests in joint ventures have indicated for business reasons that they will not participate. PIP has begun working with the PEO to prioritise these interests according to the likelihood of successful privatization. The designated joint venture interests are as follows, with companies given high priority and currently being promoted shown in underlined italics:

Highlights – Tasks One and Two. The High Ministerial Committee selected thirty-three joint venture interests to be sold, of which one was tendered.

Next quarter – Tender one additional JV under MPE authority.

Company	Shareholders	% Of Ownership	Total Public Ownership
PHARMACEUTICAL SECTOR			
Medical Profession Company for Medicines	Industrial Development Bank	13.9%	26.1%
	Pension Fund of Medical Professions Union *	10.7%	
	Suez Canal Authority	1.5%	
FOOD SECTOR			
<u><i>El Dakahleva for Sugar</i></u>	Shark Insurance*	16.0%	100.0%
	Misr Insurance	16.0%	
	Banque Du Caire	15.0%	
	Banque Misr*	15.0%	
	National Bank of Egypt	11.3%	
	Bank of Alexandria	10.0%	
	Sugar & Industries	8.8%	
	National Insurance Company*	8.0%	
National Company for Corn Products	Banque Misr	34.9%	55.8%

	National Bank of Egypt	6.1%	
	Banque Du Caire	5.9%	
	Bank of Alexandria	5.6%	
	Industrial Development Bank	2.7%	
	Nasser Social Bank*	0.6%	
<u><i>Egyptian Food Company- Bisco Misr</i></u>	Food Holding Company	36.3%	50.3%
	Misr Insurance	6.8%	
	Ministry of Islamic affairs *	5.1%	
	Bank of Alexandria	0.9%	
	Educational Professions Syndicate	0.6%	
	National Authority for Social Insurance *	0.6%	
<u><i>Egyptian Starch & Glucose</i></u>	Food Holding Company	39.0%	58.6%
	Banque Misr	10.8%	
	Public & Private Sectors Employees' Social Fund *	5.0%	
	Egyptian Reinsurance Company	1.7%	
	National Bank of Egypt	1.2%	
	National Investment Bank	0.5%	
	Misr Insurance	0.4%	
	National Insurance Company *	0.0%	
<u><i>Delta for Sugar</i></u>	Sugar & Industries	52.8%	87.9%
	Shark Insurance	13.0%	
	Egyptian Awkaf Authority	6.4%	
	Bank of Alexandria *	6.3%	
	Kima	6.3%	
	Nasser Social Bank*	3.1%	
	Misr Insurance	0.03%	
HOUSING SECTOR			
Nasr City for Housing & Development	National Construction	25.1%	25.1%
El Shams for Housing & Development	National Construction	44.5%	78.9%
	Misr Insurance	23.1%	
	National Insurance Company *	5.2%	
	Shark Insurance	5.0%	
	Egyptian Reinsurance Company	1.1%	

United for Housing & Development	Misr Insurance	16.7%	26.6%
	Maadi for Development & Urbanization	4.4%	
	Legal Guardianship Liquidation Authority	2.5%	
	National Insurance Company *	2.0%	
	Contribution for Cotton Trade	0.2%	
	Holding Company of Housing & Tourism	0.1%	
	Nasser Social Bank *	0.6%	
Zahraa El Maadi for Investments & Development	Maadi Urbanization	59.5%	93.8%
	Arab Investment Bank	20.3%	
	Nasr Housing	6.4%	
	Mamora	6.3%	
	National Insurance Company *	1.3%	
Arab Contactors for Investments	Arab Contractors	88.0%	88.4%
Arab Investments Co. for Development	National Investment Bank	37.6%	37.6%
CHEMICAL SECTOR <i><u>Paints & Chemical Industries</u></i> <i><u>(Pachin)</u></i>	Chemical Holding Company	38.3%	44.2%
	Public & Private Sectors Employees' Social Fund *	4.0%	
	Misr Insurance	1.1%	
	Shark Insurance	0.8%	
Egyptian Financial & Industrial Co	Metallurgical Holding Company	25.3%	38.8%
	Banque Misr	5.8%	
	National Investment Bank	0.7%	
	National Authority for Social Insurance *	6.3%	
	Misr Insurance	0.6%	
	Egyptian Reinsurance Company	0.1%	
Abu Kir Fertilizer Co	Egyptian Public Oil Authority	11.9%	53.6%
	Public Manufacturing Authority	7.9%	
	Bank of Alexandria	7.5%	
	National Bank of Egypt	5.1%	
	Banque Du Caire	4.6%	
	Banque Misr	4.6%	

	Nasser Social Bank *	3.7%	
	Egyptian Reinsurance Company	3.2%	
	National Insurance Company *	3.1%	
	Kima	1.7%	
	Misr Insurance	0.4%	
Egyptian Fertilizer (US \$)	National Investment Bank *	10.0%	46.0%
	Banque Misr*	10.0%	
	Misr Insurance *	10.0%	
	Chemical Holding Company	5.0%	
	Bank of Alexandria*	5.0%	
	Metallurgical Holding Company	2.5%	
	Nasr Cook	2.5%	
	Egyptian Reinsurance Company *	1.0%	
METALLURGICAL SECTOR			
Alexandria Co for Petroleum Products	Alexandria for Oil	20.0%	84.4%
	Cooperative Society for Oil	10.0%	
	Misr Petroleum	10.0%	
	National Bank of Egypt	5.2%	
	Shark Insurance	5.2%	
	Bank of Alexandria	5.2%	
	Bank Du Caire	5.2%	
	Banque Misr	5.2%	
	Misr Insurance	5.2%	
	Insurance Fund of Government Sector Employees *	4.5%	
	Insurance Fund of Business Sector Employees *	4.5%	
	Nasser Social Bank *	4.2%	
<u>Arab Co for Porcelain - Aracemco</u>	Metallurgical Holding Company	31.2%	38.0%
	Chinaware & Porcelain	3.7%	
	Nasser Social Bank *	3.1%	
<u>Alexandria National Co for Iron & Steel - Dekheila</u>	National Investment Bank	8.1%	44.8%
	Banque Misr	6.9%	
	Misr Insurance	6.8%	
	National Bank of Egypt	5.7%	

	Egyptian Public Oil Authority	4.7%	
	Metallurgical Holding Company	4.5%	
	Bank of Alexandria*	3.9%	
	Executive Authority for Industrial Projects	2.0%	
	Egyptian Reinsurance Company	1.2%	
	Banque Du Caire	1.1%	
Gas Misr Co.	Egyptian Public Oil Authority	80.0%	80.0%
Alexandria Mineral Oil - AMOC	National Bank of Egypt	26.3%	100.0%
	Alexandria for Oil	20.0%	
	Banque Misr	20.0%	
	Misr Insurance	10.0%	
	Cooperative Society for Oil	5.0%	
	Insurance Fund of Government Sector Employees *	5.0%	
	Insurance Fund of Business Sector Employees *	5.0%	
	Misr Petroleum	5.0%	
	Shark Insurance	3.7%	
Egyptian Co for Prefabricated Concrete	Segort	40.0%	40.0%
Maritime Transportation Sector			
El Suez Cargo Co	Red Sea Harbours Authority	30.0%	38.1%
	Maritime Transportation Holding Company	6.8%	
	Suez Governorate *	1.3%	
Textile Sector			
<u>Arab & United Co. for Spinning & Weaving UNIRAB</u>	Spinning Holding Company	32.5%	34.3%
	National Insurance Company *	1.2%	
	Misr Insurance	0.5%	
	Shark Insurance	0.1%	
Electrical Contracting Sector			

Misr Mechanical & Electrical Projects Co - Kahromica	National Construction	39.0%	39.0%
TOURISM SECTOR			
Rowad El Wahat for Tourism Development	Tourism Fund (rep: National Bank of Egypt)	10.8%	17.4%
	Egypt Hotels	6.7%	
Misr Co. for Tourism & Real Estate Investments	Misr Insurance*	95.0%	98.6%
	Egyptian Reinsurance Company*	3.6%	
Arab Co. for Tourism & Hotels Investments	EGOTH	71.3%	100.0%
	Cairo International Airport Authority*	17.1%	
	Arab Investment Bank	11.6%	
Semiramis Company for Hotels	EGOTH	28.9%	28.9%
Rowad Misr for Tourism Investments	Egypt Hotels	25.0%	48.3%
	Services & Development Fund-South Sinai	8.3%	
	National Insurance Company *	7.5%	
	Shark Insurance	7.5%	
Egyptian Co for Tourism Projects - Tulipe	Banque Du Caire	10.0%	22.0%
	Tourism Fund (rep: National Bank of Egypt)	7.1%	
	EGOTH	4.9%	
Tourism Development	EGOTH	71.5%	71.5%

Only three companies among the thirty-two listed above were actively marketed during the third quarter, while more companies are expected to be the subject of marketing and promotion during the fourth quarter. Efforts will be made by PIP to encourage the PEO and owners to more actively market the companies which have a reasonable prospect for sale. Specifically, PIP is working with the PEO to determine the practicality of promoting each identified company and prioritizing efforts in this regard.

Another issue impeding the sale of these JVs is that banks and insurance companies which hold such interests may not be subject to MPE authority for such sales, unless an interest is held by a Law 203 holding company or affiliate. Otherwise, a Joint Venture Committee chaired by the PEO Executive Director has oversight. Apparently the JV Committee needs more authority as the government-owned National Bank of Egypt (NBE) has independently promoted the sale of its own shares rather than the GOE

promoting sale of all GOE-owned shares, which would comprise a much larger and normally more saleable combined interest. While the effort by the NBE is laudable, a more coordinated program to sell JV interests would benefit overall privatization implementation.

Strengthening the Privatization Decision-making Process and Enhance Transparency, Tender Criteria and Evaluation. In anticipation of the tender of the eight Privatization-by-Capitalization candidates, work continued during the quarter in cooperation with the PEO on the development of tender criteria and a tender evaluation scheme. In Privatization-by-Capitalization, as noted earlier, the amount of new capital to be invested in the firm is an important criterion of investor selection. In the cases of weak or unprofitable firms where new investment is essential to survival, capitalization may be much more important than the price offered for existing shares.

Sectoral Privatization - Textile Companies. As noted in earlier reports, Egypt can anticipate greatly expanded market access for its textiles in the near future, thanks to new agreements with the EU; the expiry of textile quotas worldwide (most important, in the EU, USA, and Canada) from 2005; and the growing likelihood of a Free Trade Agreement with the USA.

To take advantage of these opportunities, particularly in the largely state-controlled cotton textile sector, Egypt must rapidly modernize its stock of capital equipment and invest in new marketing. The existing public sector companies, their cash having been drained by the employment of excess labour, are making only modest new investments.

Consequently, privatization in the textile sector must focus on filling the need for renewing the capital assets of the firms to be sold, and the amount of new capital committed to these companies will often be the principal criterion of investor selection.

Many investors will prefer to make a Greenfield investment rather than to acquire an existing company. One possible arrangement anticipates that a Greenfield textile plant, presumably housed in a new legal entity, be established near an existing public sector textile plant. We envisage a mutually attractive arrangement by which the public sector company would substantially reduce its production, or even close completely, in exchange for the greenfield investor agreeing to select nearly all its employees from among the workers of the facilities to be closed. The investor would acquire experienced employees, while its competition would be reduced. Moreover, the Greenfield investor would be in a strong position to sell to the former customers of the closed plant.

Highlights – Greenfield investment arrangement continuing to be developed by PIP to resolve labour issue and attract new investments.
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To apply the sectoral approach to the public sector textile companies, discussions continued during the third quarter with two groups of major Asian investors. On its own initiative, PIP also fully researched the “fonds de commerce” legal technique for potential applicability for textile (as well as other HC) asset acquisitions. While this technique has been used in Egypt, it is not widely employed and could be attractive in certain cases.

Debt Resolution for Law 203 Affiliates. In March, the MPE has proposed a structure for resolving a significant amount of the debt overhang for Law 203 affiliates and has initialled an agreement with the Holding companies and five state banks, including the National Investment Bank. The proposal was reviewed by the Ministry of Finance. A resolution to this issue could enhance not only the possibilities for sale of the Law 203 affiliates, but also has the potential to improve the financial health of state banks, which would also provide a beneficial step toward privatising the state-owned banks. The PEO has indicated that this proposal was expected to be approved and further developed during the third quarter, but to our knowledge there has been no decision relating to the foregoing proposal during the quarter.

Highlights – No announced progress on Law 203 debt resolution agreement initiated by MPE, HCs and five government banks

Significance of Trade Agreements on Public Enterprises. At the request of the PEO, PIP recommended a study to be undertaken by IBM to assess the potential impacts of various trade agreements on specific public enterprises, specifically the eight companies identified for privatization-by-capitalization. In recent meetings with the PEO, the PEO indicated that it would prefer to pursue the possibility of carrying out this study within its own organization.

Consequently, the feasibility of PIP performing Task 2.5 in the Statement of Work should be reviewed and amended.

Figure 2: Transactions completed ending September 30, 2003

During the third quarter 2003, there was one sale of minority interest (comprising 20.01% of outstanding shares) in Egyptian American for Sanitary Tools, and as noted previously in this report several companies and assets were tendered during the quarter. During the period between task orders and the nine-month period ending 30 Jun 2003, there have been three asset sales, a company sale, a lease with purchase obligation and one liquidation. For the purposes of this report, we included five transactions for a total compensation of LE 331.7 million (LE 340.2 million – LE 8.5 million).

Type	Company Name	Method	Buyer	Date	Value LE million
Law 203	Cairo Metallurgical Products – Shobra Armenian Factory	PA	Alexandria Investment Co.	Jun-02	8.5
Law 203	Alex Cooling	Liquidation	-	Aug-02	33.0
Law 203	National Plastic Company – liquid batteries factory	PA	United Batteries Co.	Nov-02	1.2
Law 203	National Plastic Company – bags factory	Lease with purchase	-	Nov-02	2.0
JV	Gezira Sheraton Hotel*	Shares	ACCOR Co.	Nov-02	279.0
Law 203	EGOTH Assets: Isis and Osiris	PA	Saudi investor	Mar-03	16.5
TOTAL					340.2

* Previously reported estimate value of Gerzira Hotel transaction increased by LE 97.7 million as a result of obtaining more information. Before the update, the transaction was reported as LE 181.3 million.

PA = Purchased Asset

Information Management System/Database. PIP is assisting the PEO to improve its current practice of data collection and management of information. Currently, the PEO uses a series of MS Excel spreadsheets to manage information and create reports and would like to develop a more flexible and adaptive system, such as employing MS Access and other SQL applications. In addition to assisting in the development of an application system, PIP has negotiated with a local company to provide training for PEO staff on data entry as well as application building and maintenance – the audience and course names to be delivered until April 2004 are as follows:

Audience	Course Name
Using Access Basic Level	Using Microsoft Access XP
Advanced User Training	Advanced Microsoft Access XP and MS SQL Query
Professional Staff Training	Windows 2000 Network & Operating System, Windows 2000 Advanced Server, Windows 2000 Network Infrastructure, Windows 2000 Directory Server, MS Exchange 2000, ISA, IIS, SQL Query, SQL Programming, and SQL Administration, as well as website designing and development. .

During the first phase of the training program, 13 participants completed successfully the MS Access course with very satisfactory results. Out of the 13 participants 11 were taking the Advanced MS Access and SQL Query during this quarter in July and August.

Moreover, there are 6 technical IT personnel who have started training in Network and SQL 2000 Server track during the third quarter. Continued training is planned for the fourth quarter to include web site development and maintenance.

Activities planned for the next quarter – Tasks One and Two

- Identify nine priority companies with good potential for market acceptance,
- With PEO, prioritize at least 20 new companies for privatization,
- Organize and carry out participation in EgyptInvest Conference,
- Begin valuation training for personnel at one additional Holding Company,
- Assist promoters to promote companies in Gulf,
- With PEO participation, carry out road show in Abu Dhabi and Bahrain,
- Assess sectoral impact of Egyptian Starch and Glucose tender,
- Complete analysis of “fonds de commerce” legal structure and educate owners particularly Textile HC,
- Obtain at least one offer for a company designated for privatization-by-capitalization,
- Obtain PEO buy-in for proposed tender evaluation criteria,
- Prepare policy paper addressing legal and organizational problems that have impeded privatization progress, recommend specific corrective measures,
- Assist Investment Promoters and the PEO in assessing offers and progressing sale of initial companies for which IPs were hired,
- Identify investor interests and promote the focus of privatization efforts on companies that conform to the interests thereby creating a market-driven privatization program,
- Continue work on Cost of Not Privatizing Study,
- Discuss and provide advice to the PEO on proposals for resolving the Law 203 affiliate debt overhang,
- Assist PEO to develop realistic earnings multiple,
- Promote economic and realistic valuation criteria in case-by-case evaluations of investor bids.

Task Three: Public Awareness, Political Advocacy, and Constituency Support

During the third quarter of 2003, the public awareness program has changed direction to more fully support the requests of the Ministry for Public Enterprise. After a presentation for Minister Khattab in mid-July, PIP was informed that the MPE’s primary concern is not with mass media to the public but rather through personalized congregation with opposition constituents within the Egyptian Government. PIP discontinued efforts in creating the radio, television and press messages.

Accordingly, PIP prepared a new action plan for a public awareness campaign that concentrates on supporting the line of reasoning realized through the economic analysis of the costs of not privatizing. To coincide with Task Two, PIP is preparing a study which analyzes the cost of not privatizing. Together with another research paper, “Egypt’s Liberal Economic Heritage”, roundtable discussions will be held with non-supporters of privatization. Throughout the next few months, PIP will prepare a private advocacy campaign through these activities:

Technical Activities	Research “Egypt’s Liberal Economic Heritage” to support the Cost of Not Privatizing Study
Presentations	Round-table discussions on privatization using the Cost of Not Privatizing study
Advocacy Activities	To be determined pending the results of the initial round-table discussions

Other public awareness activities in progress are the In-Company Newsletters for one or two Holding Companies to be determined and investor outreach for any companies that are offered.

Privatization Newspaper

PIP continued preparations to publish a Privatization Newspaper for the purpose of addressing issues surrounding privatization in specific sectors. In addition to the Spinning and Weaving Holding Company, PIP prepared recommendations to the PEO to publish Privatization Newspapers for several other Holding Companies. A complete plan of action and recommended Holding Companies will be ready by mid-October.

Investor Outreach

In support of the October marketing trip to Abu Dhabi, Dubai and Bahrain, PIP prepared factsheets for the many high profile companies that the MPE has selected to promote.

Activities planned for the next quarter – Task Three

- Recommend Holding Companies to the PEO for which specialized Privatization newspapers would be developed.
- Interview representatives from a Holding Company to assess most appropriate articles in newsletter addressing privatization obstacles and achievements.
- Conduct research on “Egypt’s Liberal Economic Heritage”.
- Organize roundtable discussions for the Cost of Not Privatizing Study.
- Search for potential investors and develop database for recipients to tender announcements.
- Promote tender announcements, if any.
- Participate in Egypt Investor’s 2003 conference in December.

Task Four: Monitoring and Reporting on Public Enterprises and Privatization

PIP provided limited monitoring and reporting of privatization activities for public enterprises to include:

- Scheduled updates to the project's website (www.egyptpip.com) continues to be implemented during the second quarter. The site provides regularly updated data on companies being offered through the PEO, activity reports of the program, summarized newsprint articles, and limited historical information of the privatization program.
- A statistical report of the project's website, for the period July 1st, 2003 to September 30, 2003, indicates that the number of hits and requests on the site has almost gone down to half of last quarter. During the period the site had 30,412 hits, 7,488 requests, and 2,883 visits, with 2.60 average number of requests per visit and an average visit duration of 2.31 minutes. Refer to deliverable for more details on the website usage
- Prepared and posted a quarterly privatisation program report to its website for the period July to September 2003. A report for the third quarter is currently being finalized and should be posted by end of October 2003.
- Prepared and disseminated more than 234 summarised articles from local newsprints (Al Ahram, Al Ahram Weekly, Al Akhbar, Al Alam Al Youm, Al Gomhorya, Al Wafd, and Benou Al Youm) that focuses on privatization topics to include the MPE, PEO, HCs and its affiliates, as well as industries and sectors, such as banks and insurance companies.
- Provided updates and revisions to RRSA's indicators and project data for USAID Egypt's new website.

Activities planned for the next quarter – Task Four

- Prepare and disseminate the third quarter privatization program report for 2003.
- Document the Privatization Program pipeline as new transactions occur.
- Update RRSA with latest privatization results for their PMP indicator.
- Implement new ideas for promoting the Privatization Program on the PIP's website to improve the usefulness to its audience and increase usage.

SUMMARY OF ACTIVITIES BY TASK

This table provides a summary of the activities by task during the third quarter and activities planned for the next quarter.

	3rd Qtr 2003	Next Qtr
Task One: Transaction Support		
1.1 Provide specific transaction assistance including: marketing/promotional assistance, advertising, international road shows, valuation assistance, data rooms, company profiles, information memoranda, prospectus, legal and bid documents – approved in advance on a case-by-case basis up to thirty transactions.	Added ten companies for direct assistance. One (Egyptian Starch and Glucose) was tendered.	Identify another nine priority companies with good potential for market acceptance.

	3rd Qtr 2003	Next Qtr
case basis up to thirty transactions.		
1.2 Provide general transaction support: prepare quick diagnostics, financial analyses, and sector studies on the remaining public enterprises to identify strategic privatization opportunities - at varying levels of analysis, ranging from calculation of basic financial and operational ratios to more in-depth examination of the company.	Prepared diagnostics/marketing briefs in Kompas format for sixteen companies designated by PEO as sale candidates. These names taken to Gulf for marketing purposes.	Work with PEO to prioritize a list of at least 20 new names for privatization. Organize and carry out participation in EgyptInvest Conference to be held in Cairo.
1.3 Provide general transaction support: advise on, guidance, and limited training to the PEO, HCs, and JV shareholders on how to develop tenders, fact sheets, company profiles, information memoranda, data rooms, valuations, and bid documents.	Two week valuation seminar carried out for Housing, Tourism and Cinema Holding Company	Begin valuation training for one additional HC personnel.
1.4 Provide general transaction support: advisory assistance to the PEO, HCs, and JV shareholders to help them procure the services of investment promoters on a fee basis - develop guidelines before the end of 2002 for selecting and hiring investment promoters, review promotional plans, and monitor progress.	Guidelines prepared and submitted. All seven IPs retained with fees defined. One informal offer received for Kom Hamada. Revised tender scoring system recommended to PEO. One reserve price publicly announced (not in tender document)	Assist promoters to promote companies in Gulf.
1.5 Provide non-transaction-specific promotional support (marketing campaigns and road shows) that advances the general goals of the privatization program or specific sectors, especially as they support the individual activities of investment promoters working on specific transactions - also, provide a list of possible international, regional, and local investors for all cases in which an investment promoter has been retained.	Organized and prepared for Gulf roadshow in Abu Dhabi, Dubai and Bahrain Participated in London investment conference with PEO	Carry out Road show in Abu Dhabi, and Bahrain with PEO participation Assist in developing and participating in EgyptInvest Conference in Cairo
1.6 Provide general transaction support: monitor the strategic importance and sectoral impact of transactions, particularly the size and the role of a public enterprise to be privatized, and the impact of privatization on the sector.	Provided draft paper on a Sectoral approach to privatization in the textile sector – during second quarter.	Assess sectoral impact of Egyptian Starch and Glucose, tender. Complete analysis of “fonds de commerce” legal structure for acquisitions rea
1.7 Provide general transaction support: track/report all Law 203 and JV privatization pipeline activity as measured by the number of tenders and offers, bidders purchasing bid documents and conducting due diligence, and bids	On-going	Continue to monitor

	3rd Qtr 2003	Next Qtr
received.		
Task Two: General Policy and Advisory Assistance		
2.1 Examine the legal, financial, and economic feasibility of recapitalizing companies through capital increases offered to the private sector – alternative options that consider the total value of a proposed privatization transaction, such as explicitly valuing the investment plan of bidders in lieu of strictly cash bids, should also be considered.	<p>Continued to work with PEO to implement flexibility inherent in pricing formula approved by Cabinet.</p> <p>In connection with privatization-by-capitalization program, PEO/HCs now also entertaining proposals for exsiting shares.</p> <p>Direct discussion with Textile HC relating to developing rational pricing approach for Kom Hamada</p> <p>Provided tender evaluation proposal for PEO consideration.</p>	<p>Obtain at least one offer for a company designated for privatization-by-capitalization</p> <p>Obtain PEO buy-in for proposed tender evaluation criteria.</p>
2.2 Investigate the feasibility of separating privatization decision-making authority from the operating management of the public enterprises and JVs.	Ministerial Committee earlier approved reserve pricing based on historic price/earings multiples; operating managements thus less involved in valuations for Law 203 JV interests.	Building on work in the Second Quarter, prepare a policy paper addressing fundamental legal and organizational problems that have seriously impeded progress on privatization. The paper will recommend specific corrective measures, most of which will involve changes in law or regulation. The Cost of Not Privatizing study will provide additional support to the recommendations.
2.3 Propose and advocate strategies to compensate private sector investment promoters, paying particular attention to the different ways that retainer and success fees could be financed.	<p>HCs retained 8 investment promoters</p> <p>Encouraging PEO to pursue additional investment promoters.</p>	Assist IPs and PEO in assessing offers and progressing sale of initial companies for which investment promoters were hired.
2.4 Propose and advocate strategies to increase the incentives for owners of public enterprises to advocate and support privatization more strongly.	Continue to promote with Japanese and Indonesian investors Greenfield investment arrangement to relieve labor constraint to privatization. Pursuing with PEO and MPE	<p>Identify investor interests and promote the focus of privatization efforts on companies that conform to the interests, thereby creating a more market-driven privatization program.</p> <p>Complete “fonds de</p>

	3rd Qtr 2003	Next Qtr
		commerce” research and educate owners, particularly Textile HC.
2.5 Determine the significance of various international or multilateral commitments or agreements (such as WTO) on the operations of specific public enterprises and privatized companies, and use this information to assist the GOE in the development of appropriate privatization strategies.	PEO suggests to pursue this study	To be reviewed and amended
2.6 Facilitate discussions, conduct a study, and advise the GOE on the liquidation of selected companies, while compensating fairly the employees and resolving debts in an economically and socially responsible manner, if requested.	Prepared outline for a study on the costs of not privatizing.	Begin work on study on the costs of not privatizing. Complete “fonds de commerce” research and educate owners, particularly Textile HC. Discuss and provide advice to PEO on proposals for resolving the Law 203 affiliate debt overhang.
2.7 Work with the Central Audit Agency and other appropriate GOE authorities to achieve more flexible valuation and pricing policies, and more importantly, gaining greater acceptance of the importance of attracting investment capital and management expertise.	MPE is initiating and promoting other methods of setting reserve prices, e.g. using p/e multiples. Discussed with PEO the notions of using value to seller as reserve valuation and relying on competitive bidding to set price.	1. Assist PEO to develop realistic earnings multiple as a partial basis for reserve pricing. Sell notion that reserve pricing should be minimum market, and in fact should reflect consideration of value to the seller. 2. Conduct training sessions in valuation techniques for holding company staff. 3. Promote economic and realistic valuation criteria in case-by-case evaluations of investor bids.
Task Three: PR		
3.1 Design a public awareness and public relations plan to increase the level of political and popular support for privatization.	Completed 2002 4th quarter.	Refer to 3.4 below.
3.2 Develop plan in consultation with the PEO and delivered to the GOE before the end of 2002.	Completed	Refer to 3.4 below.
3.3 Launch program in early 2003.	Mass media campaign discontinued. Advocacy campaign initiated with research and studies for cost of not privatizing	Research continues, final paper in December 2003.
3.4 Obtain input and agreement on the basic approach of the plan from either the Minister of Public Enterprise, Ministerial Privatization Committee, or office of the Prime Minister.	Basic approach for mass media radio and television rejected by Minister of Public Enterprise.	Advocacy campaign to begin after research papers finalized and with approval by the MPE.
3.5 Conduct seminars and focus groups, and dissemination of information to targeted audiences.	Completed focus groups February 2003.	Prepare and implement the first roundtable discussions for cost of not privatizing study.

	3rd Qtr 2003	Next Qtr
3.6 Conduct meetings/focus groups with key constituencies (GOE, labor groups, HCs, industry & sector representatives)	Prepared action plan for HC In-company Newspapers addressing Privatization	Continue visits and interviews to additional HCs; develop articles for In-Company newsletter, publish newsletter.
Task Four: Monitoring and Reporting		
4.1 Provide limited monitoring and reporting for public enterprises and privatization activities, covering primarily activities of the MPE, PEO, HCs and affiliate companies, JVs, other public enterprises, and banks and insurance companies.	Reported on HC and JV privatization activities as well as other relevant activities to include laws, transactions, economic and financial overview	Continue monitoring and reporting of privatization activities Update report format and content, as needed
4.2 Regular (at least weekly) translation and electronic dissemination of press articles.	Summarized and disseminated more than 234 newsprint articles	Continue with process to summarize and disseminate than newsprint articles
4.3 Quarterly privatization review disseminated via email and posted on a website.	Prepared and disseminated 2003 Second Quarter program report on website	Prepare and disseminate 2003 Third Quarter program report

BENCHMARKS

Progress towards the benchmarks has been active and significant steps have been taken to increase the probability of achieving, if not, exceeding all five.

Benchmarks	To be achieved Oct 1, 2002 to Mar 31, 2004	Progress during period Oct 1, 2002 to Sept 30, 2003
Policy Benchmarks		
Increased separation of privatization decision-making authority from public enterprise management. Overall, improved decision-making authority for transactions.	Provide PEO with at least 2 recommendations to improve decision making	Responsibility of selling more than 79 JV companies transferred to the MPE/PEO Promoted the concept of pricing problem assets at adjusted book value on a case-by-case basis; promoted public announcement of reserve price; promoted setting reserve price at value of the firm to the GOE
Increased acceptance by the GOE to use private sector investment promoters, especially to pay retainer fees.	At least three cases of investment promoters being retained by the GOE.	LE 2 million fund approved by Cabinet to support fees to retain IPs Eight investment promoters selected and retained by HCs
Increase the incentives of the owners of the public enterprises to support privatization.	Conduct an economic impact study to determine the true costs of not privatizing	Study under way and to be completed by year-end.
Political Support Benchmarks		
Broad, high-level public relations plan, designed to increase public and political support for privatization, should be developed and delivered to the GOE.	At least five meetings with political decision makers and journalist seminars	Mass media campaign discontinued; new approach recommended by MPE and initiated with two research papers.
Transaction Benchmarks		
Number and value of transactions, including the total value of cash, instalments, investment, debt resolution, and employee considerations included in the purchase agreement should increase.	Provide direct and indirect transaction support for an additional 20 companies, including distressed companies.	5 transactions closed estimated at LE 340.2 million
Strategic importance and sectoral impact of transactions, particularly the size and the role of the public enterprise in each particular sector, and the impact of privatization on the increasing role of private enterprises in that sector.	Activity cancelled. Review this	Analyzing data on public enterprise (Law 203 and JV) companies in 27 identified sectors

DELIVERABLES

The following deliverables were prepared and disseminated to HCs, affiliates, and the PEO.

Company Name	Document	Date	Linked Document
Arabic Ceramic Company (ARACEMCO)	Company Profile	13-Aug-03	Arab Ceramic Company draft.doc
Rakata	Company Profile	19-Aug-03	Company profile of Rakta .doc
Egyptian Ferroalloys Company	Company Profile	08-Sep-03	Ferroalloys.doc
Transportation & Engineering Co. (TRENCO)	Company Profile	16-Sep-03	Trenco.doc
Damietta Spinning and Weaving	Diagnostic Report	01-Aug-03	Damietta Spinning-Spreading.xls
Egyptian Salt & Soda	Diagnostic Report	03-Sep-03	Egyptian Salt & Soda.doc
Nile Oil & Detergents	Diagnostic Report	03-Sep-03	Nile Oil & Detergents.doc
Tanta Oil & Soap	Diagnostic Report	03-Sep-03	Tanta Oil & Soap.doc
Engineering Automotive Manufacturing Company (EAMC)	Diagnostic Report	10-Sep-03	EAMC.doc
Sinia Manganeez	Fact Sheet	10-Jul-03	SMC FS.doc
Egyptian Ferroalloys Company	Fact Sheet	26-Aug-03	Ferroalloys - Kompass .doc
Egyptian Company for Starch and Glucose	Fact Sheet	01-Sep-03	Starch and Glucose.doc
Mahmoudia Spinning and Weaving	Fact Sheet	03-Sep-03	Mahmodeya Fact Sheet.xls
Mahmoudia Spinning and Weaving	Fact Sheet	04-Sep-03	Kompass Mahmodeya Sp.doc
National Paper	Fact Sheet	08-Sep-03	National Paper.doc
Arabic Ceramic Company (ARACEMCO)	Fact Sheet	15-Sep-03	Aracemco Fact Sheet.xls
Paints & Chemical Industries (PACHIN)	Fact Sheet	17-Sep-03	PACHIN.doc
Dakahleya Sugar	Fact Sheet	22-Sep-03	Dakahleya Sugar - Kompass .doc
Delta Sugar	Fact Sheet	22-Sep-03	Delta Sugar - Kompass .doc
Abou Kir Fertilizers	Fact Sheet	23-Sep-03	Abou Kir Fertilizers - Kompass .xls
Arab & Bolivara Spinning & Weaving (UNIRAB)	Fact Sheet	30-Sep-03	Polvara - Kompass .doc
Egyptian Company for Starch and Glucose	Information Memorandum	03-Sep-03	Egyptian Starch and Glucose (Arabic).doc
Egyptian Company for Starch and Glucose	Information Memorandum	03-Sep-03	Egyptian Starch and Glucose.doc
Egyptian Company for Starch and Glucose	Information Memorandum	10-Sep-03	Egyptian Company for Starch and Glucose.pdf

Company Name	Document	Date	Linked Document
and Glucose	Memorandum		and Glucose.pdf
Arab & Bolivara Spinning & Weaving (UNIRAB)	Information Memorandum	30-Sep-03	Bolivara - Info Memo .doc
P.E.O	Letters	25-Jul-03	PEO letter Hamdy Loan Restr.doc
P.E.O	Letters	25-Jul-03	PEO letter Hamdy Loan Restr.doc
P.E.O	Letters	28-Jul-03	PEO letter Hamdy Gulf Trup.doc
P.E.O	Letters	28-Jul-03	PEO letter Hamdy Loan estr.doc
P.E.O	Letters	05-Aug-03	PEO letter HamdyKompass .doc
P.E.O	Letters	25-Aug-03	PEO letter Kom H attachedExample.doc
P.E.O	Letters	25-Aug-03	PEO letter Kom Ham.doc
P.E.O	Letters	28-Aug-03	PEO letter Hamdy EgStarch.doc
P.E.O	Letters	04-Sep-03	PEO letter Kompass Fact sheets.doc
P.E.O	Letters	22-Sep-03	PEO letter Gulf Mkt Fact sheets.doc
P.E.O	Letters	23-Sep-03	PEO letter Gulf Mkt .doc
Food H.C	Minutes of Meetings	13-Jul-03	Meeting with the New Chairman of the Holding Company for Food Industries.doc
Chemical H.C	Minutes of Meetings	04-Aug-03	Meeting Chemical HC .doc
Kom Hamada Spinning	Minutes of Meetings	08-Sep-03	Kom Hamada S & W .doc
Chemical H.C	Minutes of Meetings	25-Sep-03	New letter Chemical HC.doc
P.E.O	Other	09-Jul-03	Agenda proposed.doc
P.E.O	Other	16-Jul-03	Agenda proposed.doc
P.E.O	Other	24-Jul-03	Agenda proposed.doc
P.E.O	Other	31-Jul-03	Agenda proposed.doc
Others	Other	04-Aug-03	Valuation & Pricing - Translation.doc
P.E.O	Other	07-Aug-03	Khattab Agenda.doc
P.E.O	Other	07-Aug-03	Agenda proposed.doc
Others	Other	14-Aug-03	Valuation model DCF - Translation.xls
P.E.O	Other	20-Aug-03	Agenda proposed.doc
Misr Hotels	Other	25-Aug-03	Misr Hotels Financials - Translation.xls
P.E.O	Other	27-Aug-03	Agenda proposed.doc

Company Name	Document	Date	Linked Document
P.E.O	Other	03-Sep-03	Agenda proposed.doc
Others	Other	14-Sep-03	Performance Parameters for some privatized companies.doc
P.E.O	Other	17-Sep-03	Agenda proposed.doc
Others	Other	23-Sep-03	Sales Tax in Egypt.doc
P.E.O	Other	24-Sep-03	Agenda Proposed.doc
P.E.O	Other	30-Sep-03	Agenda Proposed.doc
Sinia Manganeez	Pre-diagnostic Report	10-Jul-03	Sinia Financial.xls
Rakata	Pre-diagnostic Report	15-Jul-03	Rakta Spreading.xls
National Paper	Pre-diagnostic Report	07-Sep-03	National paper spreading .xls
Public Awareness Outreach	Public Awareness & Investment Outreach	15-Jul-03	Final version Minister Presentation.PPT
Public Awareness Outreach	Public Awareness & Investment Outreach	30- Sep-03	Public Relations Campaign Report.doc
Kom Hamada	Valuation Reports	11-Sep-03	Kom Hamada – Saharatgy.xls
Egyptian Company for Starch and Glucose	Valuation Reports	30-Sep-03	PE valuation EC Starch and Glucose.xls

Summary	
Company Profile	4
Diagnostic Report	5
Fact Sheet	12
Information Memorandum	4
Letters	11
Minutes of Meetings	4
Other	17
Pre-diagnostic Report	3
Pre-Valuation Reports	2
Public Awareness & Investment Outreach	2
Total	64

BUDGET PIPELINE

A separate report provides an analysis of estimated costs accrued and billed to include a breakout of the estimated level of resources allocated to Task One – Transaction Support. This report will be communicated in a separate report, available November 15, 2003.

TEAM MEMBERS AND THEIR RESPECTIVE TITLES AND TASKS

The following is a list of all employees and their relationship to active tasks during the quarter. The organizational chart provides an overview of the project's structure.

First Name		Last Name	Title	LT/ST/ Admin	Start date	Primarily supports
Mr.	Richard	Moss	COP	LT	10/1/2002	COP
Mr.	Monty	Palmer	Project oversight	ST	10/1/2002	Project Mgt
Mr.	Richard	Burns*	Privatization / IB Specialist	ST	10/1/2002	Project Mgt
Ms.	Tessie	San Martin*	Project oversight	ST	10/1/2002	Project Mgt
Mr.	David	Cameron*	Investment Banker	ST	1/29/2003	Task 1
Mr.	Hisham	El Adl	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Mahmoud	Soheim	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Said	Mostafa	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Sherif	Korayem	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Mohamed	Rabie	Privatization Specialist	ST	10/1/2002	Task 1
Mr.	Richard	Dangay	Privatization Specialist	ST	11/10/2002	Task 1
Mr.	Ayman	Taha	Privatization Specialist	LT	1/29/2003	Task 1
Mr.	Emad	Moursy Mohamed	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Mr.	Fouad	Abdel Wahab	Privatization Specialist - Senior	LT	10/1/2002	Task 1 & 2
Ms.	Hend	Taha	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Ms.	Laure	Darcy**	Privatization / IB Specialist	ST	10/1/2002	Task 1 & 2
Mr.	Mohamed	Ragui	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Mr.	Bruce	MacQueen	Privatization Advisor	ST	10/15/2002	Task 2
Ms.	Hoda	Howeidy***	Public Awareness Specialist	LT	10/1/2002	Task 3
Mr.	Chris	Homan	Public Relations Specialist	ST	10/27/2002	Task 3
Ms.	Hala	Helmy	Public Relations Specialist	ST	11/21/2002	Task 3
Ms.	Dalia	Wahba	Public Awareness Specialist	ST	10/1/2002	Task 3
Ms.	Rania	Rashed**	Public Awareness Specialist	ST	1/29/2003	Task 3
Ms.	Nevine	Lotfi	Privatization Specialist	LT	10/1/2002	Task 4
Ms.	Safaa	Sabry	Database Manager	LT	10/1/2002	Task 4
Ms.	Sarah	Mubarak	Intern	LT	10/1/2002	Task 4

First Name		Last Name	Title	LT/ST/ Admin	Start date	Primarily supports
Mr.	Ahmed	Mohamed Adam	Driver / Messenger	Admin	10/1/2002	Operations
Mr.	Yasser	Youssry Al-Sayed	Driver / Messenger	Admin	10/1/2002	Operations
Mr.	Sayed	Abdel Gawad	Driver / Supervisor	Admin	10/1/2002	Operations
Ms.	Heba Tellah	Adel Hashish	Executive Secretary	Admin	10/1/2002	Operations
Mr.	Sherief	El-Banna	Logistics Administrator	Admin	10/1/2002	Operations
Mr.	Mohamed	Mostafa	Network (IT) administrator	Admin	10/1/2002	Operations
Mr.	Adel	Said Ahmed	Office Assistant	Admin	10/1/2002	Operations
Mr.	Nader	Ahmed Aly	Office Assistant	Admin	10/1/2002	Operations
Mr.	Taha	Aboul Saoud Fahmy	Office Assistant	Admin	10/1/2002	Operations
Ms.	Wessam	El-Niazy Hammad	Project Accountant	Admin	10/1/2002	Operations
Ms.	Rasha	Reda Farid	Project Administrator	Admin	10/1/2002	Operations
Mr.	Ahmed	Rashad Mohamed	Security / Office Assistant	Admin	10/1/2002	Operations
Mr.	Tarek	Mohamed Mahmoud	Security / Office Assistant	Admin	10/1/2002	Operations
Ms.	Rebecca	Rishty	Chief Operations Officer – replace Torence Holmes	LT	4/1/2003	Task 3, 4 & Mgt
Mr.	Constantin	Abarbieritei	Privatization / IB Specialist	ST		Project Mgt

* Left the firm during or after the quarter

** Approved to work on project but did not bill during quarter

*** Maternity leave for most of the quarter

June 30, 2003

